

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

BFN2044 – BANK MANAGEMENT

(All sections / Groups)

17 OCTOBER 2019
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 3 pages with 4 questions only.
2. Attempt ALL FOUR questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answer in the Answer Booklet provided.

Question 1 (25 marks)

- (a) You are given the following information for Bronco Bank for 2018 and 2019:

Items	2018 (RM million)	2019 (RM million)
Interest income	55	61
Interest expense	38	45
Noninterest income	5	58
Noninterest expense	8	11
Special income and expense	1	2
Total Assets	986	1,042

Calculate:

- (i) Net interest margin (NIM) for 2018 and 2019. **(6 marks)**
 - (ii) Net noninterest margin (NNIM) for 2018 and 2019. **(6 marks)**
 - (iii) Return on assets (ROA) for 2018 and 2019. **(8 marks)**
 - (iv) Based on the above results, what can you conclude about this bank referring to its ROA, NIM and NNIM? **(2 marks)**
- (b) Supposed RDB Bank is expected to pay a dividend of RM 3.50 per share at the end of the year and its stock dividends are expected to grow 8 percent a year indefinitely into the future. If the appropriate discount rate applied to the bank's expected dividend stream is 15 percent, what is the current value for RDB Bank's stock? **(3 marks)**

Question 2 (25 Marks)

- (a) You are given the following information about the bank's liquidity for the coming week:

Items	Amount (RM million)
Previous bank borrowings scheduled to be repaid	73
Customer loan repayments	98
Operating expenses demanding cash payment	51
Acceptable new loan requests	294
Sales of bank assets	18
New deposits	370
Borrowings from the money market	43
Nondeposit service fees	27
Deposit withdrawals	33
Dividend payment to bank stockholders	140

Continued...

- (i) Calculate the bank's projected net liquidity position for the coming week.
(15 marks)
 - (ii) What measures that the bank need to employ to solve this potential problem?
(2 marks)
 - (iii) What are the principle sources of bank's supply of liquidity?
(3 marks)
- (b) Securitization is gaining popularity among banking institutions nowadays. Define securitized assets and explain why they have grown so rapidly over the past two decades.
(5 marks)

Question 3 (25 marks)

- (a) MNB bond is currently sold for RM950 based on a par value of RM1,000 and promises RM90 in interest for three years before being retired. Yields to maturity on comparable-quality securities are currently at 12 percent.
- (i) Calculate this bond's duration.
(10 marks)
 - (ii) What will be the approximate percent change in the bond's price if the market interest rates fall to 10 percent?
(5 marks)
- (b) (i) What is meant by asset and liability management from the bank's perspective?
(4 marks)
- (ii) What is the difference between defensive and aggressive asset and liability management?
(6 marks)

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Question 4 (25 marks)

- (a) Briefly explain how the bank utilized the 6 (SIX) C's of credits when granting a loan request. (12 marks)
- (b) It is essential for the bank to analyse the company's financial statement using key financial ratios before granting them the business loans.

Based on the information supplied below, calculate the key ratios for profitability and financial leverage for this company when the net sales is RM600 million, before tax and after tax net income is RM6 million and RM5 million respectively.

Financial Information for AXN Sdn Bhd.

Business Assets (RM Million)	
Cash account	60
Accounts receivable	155
Inventories	128
Fixed assets	286
Miscellaneous assets	96
	725
Liabilities and Equity (RM million)	
Short-term debt:	108
Accounts payable	117
Notes payable	325
Long-term debt (bonds)	15
Equity capital	160
	725

(13 marks)**End of Page**